



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

April 8, 2009

Honorable Denise Moreno Ducheny, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Noreen Evans, Chair
Assembly Budget Committee

Honorable Christine Kehoe, Chair
Senate Appropriations Committee

Honorable Kevin de Leon, Chair
Assembly Appropriations Committee

Section 28.00—Federal Individuals with Disabilities Education Act Stimulus Funds

Pursuant to the provisions of Section 28.00, Budget Act of 2008, the following report is respectfully submitted.

The Department of Finance (Finance) has received the attached Section 28.00 application from the State Department of Education (SDE) for the purpose of adjusting expenditure authority for federal special education funding under the Individuals with Disabilities Education Act (IDEA) due to the unanticipated receipt of federal economic stimulus funds for this program.

Approximately \$634 million in federal IDEA funds are available during 2008-09 for the IDEA pursuant to the *American Recovery and Reinvestment Act of 2009 (ARRA)*, Public Law 111-5 (H.R. 1). Therefore, we request that Item 6110-161-0890 of the Budget Act of 2008 be increased from \$1.174 billion to \$1.808 billion. Under the ARRA, the \$634 million in IDEA recovery funds will be available as follows: (1) \$613.5 million under Part B—Grants to States, and (2) \$20.5 million under Part B—Preschool Grants.

IDEA recovery funds must be allocated and used by local educational agencies according to current IDEA statutory and regulatory requirements. In addition, the ARRA requires that these funds: (1) be used only for the excess cost of providing special education and related services to children with disabilities unless otherwise provided in IDEA statute; (2) not increase the amount available for state administration or other state-level activities generally reserved under regular federal grants; (3) be quickly available to local educational agencies in order to avert layoffs and create jobs; and (4) be fully obligated by September 30, 2011.

We note that SDE received official notification of the availability of additional, unanticipated funds on April 1, 2009 and notified Finance within 45 days of this date.

This request meets the following criteria, as required in subdivision (b) of Section 28.00:

- The funds will be expended for special education programs under Parts B of the IDEA, which is consistent with state law.

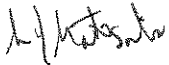
- The funds are made available to the state under conditions permitting their use only for the specified purpose, and the additional expenditure proposed would apply to this specified funding purpose.
- Acceptance of the additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- The need exists to expend the additional funding during the current fiscal year because the ARRA overall goals are to stimulate the economy quickly.

Finally, we have included internet links to the assurances, guidelines, and reporting requirements included in the ARRA to ensure that local educational agencies and other interested entities are aware of the various conditions that must be adhered to as a condition of receiving federal IDEA recovery funds. Please see: <http://www.recovery.ca.gov/>; <http://www.ed.gov/policy/gen/leg/recovery/index.html#apps>; <http://www.recovery.gov/>; and <http://www.cde.ca.gov/fg/aa/ar/>.

We concur with the necessity of this change to the approved budget and will be approving the Section 28.00 application not sooner than 30 days from the above date.

If you have any questions or need additional information regarding this matter, please call Nicolas Schweizer, Assistant Program Budget Manager, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:



ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Honorable Gloria Romero, Chair, Senate Budget and Fiscal Review Subcommittee No. 1
Honorable Wilmer Amina Carter, Chair, Assembly Budget Subcommittee No. 2
Mr. Mac Taylor, Legislative Analyst (3)
Mr. Danny Alvarez, Staff Director, Senate Budget and Fiscal Review Committee
Mr. Bob Franzosa, Staff Director, Senate Appropriations Committee
Mr. Seren Taylor, Staff Director, Senate Republican Fiscal Office
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christian Griffith, Chief Consultant, Assembly Budget Committee
Mr. Geoff Long, Chief Consultant, Assembly Appropriations Committee
Mr. Peter Schaafsma, Staff Director, Assembly Republican Fiscal Committee
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Honorable Jack O'Connell, Superintendent of Public Instruction
Dr. Glen Thomas, Secretary of Education
Ms. Sharon Taylor, Director, Fiscal and Administrative Services Division, State
Department of Education

icc: BRADSHAW, PROSIO, CAP-OFFICE, FO, OROPEZA, SCHWEIZER, DEL CASTILLO,
MIERCZYNSKI, C/F (3), SUSPENSE FILE

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FEDERAL STIMULUS.DOC

Please report dollars in thousands.

DEPARTMENT Education	ITEM NO./ FISCAL YEAR 2008-09	NOTIFICATION LETTER TO LEGISLATURE: <input checked="" type="checkbox"/> 30-DAY NOTICE <input type="checkbox"/> REQUEST WAIVER OF 30-DAY NOTICE
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PROGRAM TITLE PER GOVERNOR'S BUDGET:
SEP for Exceptional Children

FUNDING (SPECIFY FUND)	CURRENTLY BUDGETED	REQUESTED CHANGE (+) OR (-)	TOTAL
Federal Trust Fund	1,174,139	633,987	1,808,126

(Check appropriate boxes)

- ☐ The funds will be expended for a purpose that is consistent with state law (explain use of funds in Part A below).
- ☒ The funds are made available to the state under conditions permitting their use only for a specified purpose, and the additional expenditure proposed under this section would apply to that specified funding purpose (as supported by explanation for the purpose of the funds).
- ☒ Acceptance of additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.
- ☒ The need exists to expend the additional funding during the current fiscal year (explain in Part B below).
- ☒ This application is provided to Finance within 45-days of official notice of receipt of funds.
- ☐ Explanation of delayed notification to Finance is attached (required if 45-day notification period is exceeded).
- ☐ A copy of the official notice of fund availability is attached to this application.
- ☒ One-time expenditure.
- ☐ Ongoing commitment from this source (if checked, explain under Program Proposal).
- ☐ Matching funds required (if checked, explain under Program Proposal).
- ☐ Expenditure either supplements or supplants an existing state-funded program (if checked, explain under Program Proposal).

PART A: For what purpose will the funds be expended?

The California Department of Education (CDE) is requesting \$633,987,000 in additional authority for 2008-09 fiscal year in order to fully utilize the American Recovery and Reinvestment Act of 2009 (ARRA) Individuals with Disabilities Education Act (IDEA) grant award. The ARRA IDEA grant will be awarded to the Special Education Local Planning Areas (SELPA's) to supplement the ongoing IDEA award provided for special needs students in the State of California.

PART B: Explain the need to expend the funds in the current fiscal year, including the consequence of waiting until budget year to expend the funds:

Prompt approval is needed to facilitate distribution of the initial installment of the ARRA IDEA grant in the 2008-09 fiscal year which will assure delivery of the final installment in 2009-10 fiscal year of this one-time grant opportunity from the federal government. The General Accounting Office has indicated that the State of California will be closely monitored to assure that the ARRA funding is promptly distributed to the subgrantees.

PROGRAM PROPOSAL (Attach additional information as necessary)

TITLE:
**SPECIAL ED. PROGRAMS FOR
EXCEPTIONAL CHILDREN****STATUTORY AUTHORITY:** (state, federal, as appropriate)
Federal IDEA grants**DESCRIPTION:**

The ARRA IDEA grant award is a supplement to the 2009 regular IDEA grant. Per the federal Office of Special Education Programs and in accordance with Section 300.705(b)(3), the entire ARRA IDEA grant award is required to be distributed as subgrants to Local Education Agencies (LEAs). To ensure accountability and transparency, the ARRA IDEA grant awards will have additional reporting requirements from the 2009 regular IDEA grant. The CDE will distribute the ARRA funds to SELPAs in a separate grant award according to the current formula.

Pursuant to the IDEA, Part B, states are to distribute a minimum flow through amount to LEAs based on student level data. The permanent formula is comprised of a three-component calculation. The SELPA awards are determined according to this formula. The three components are:

- (1) Base Amount: 1999 special education enrollment ages, 3-21.
- (2) Population Amount: prior year public and private enrollment, K-12.
- (3) Poverty Amount: California Work Opportunity and Responsibility to Kids (CALWORKS) prior year free and reduced meal count, K-12.

After the base amount is determined, the remaining amount is distributed between components (2) at 85 percent and (3) at 15 percent.

JUSTIFICATION:

The ARRA IDEA grant has been anticipated by the State, CDE, and SELPAs to provide additional funds for students with disabilities. The prompt distribution of the ARRA funds will give the SELPAs the opportunity to provide more services to California students with disabilities.

SUBMITTED BY:		APPROVED BY DEPARTMENT OF FINANCE:	
BUDGET OFFICER: <i>Rafael H. Garcia</i>	DATE: <i>4-3-09</i>	DATE SUBMITTED TO LEGISLATURE: <i>4/8/09</i>	
DIRECTOR: <i>Christine</i>	DATE: <i>4/3/09</i>	PPBA:	DATE:
